

NEWS RELEASE

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DeNUCCI CITES REGISTRY DEFICIENCIES IN SALES TAX OVERSIGHT AND OTHER AREAS

State Auditor Joe DeNucci said today that the failure of the Registry of Motor Vehicles (RMV) to properly track the collection of motor vehicle sales taxes could be costing the state revenue, and that some Massachusetts motorists may be paying excessive sales taxes on the purchase of motor vehicles because of inconsistent interpretations of state laws and regulations.

In other areas, DeNucci's audit attributed lengthy and unacceptable customer delays at some RMV branch offices to the Registry's failure to properly administer staffing and workload. The audit also disclosed unauthorized salary increases and promotions given to some Registry employees. DeNucci also reported that the Registry's internal audit function is inadequate.

DeNucci said he is issuing this interim audit in order to bring these problems to the immediate attention of newly appointed Registrar of Motor Vehicles Daniel A. Grabauskas. Additional areas of the Registry remain under review by DeNucci's office.

"The Registry of Motor Vehicles needs a complete overhaul," DeNucci said. "My office looks forward to assisting Registrar Grabauskas as he takes on this enormous challenge."

DeNucci's audit disclosed that sales and lease information submitted by dealers to the Registry frequently differs from the dealers' own records, which is a violation of state law. Furthermore, the Registry does not attempt to determine whether the proper amount of sales taxes is being collected by the state.

Although the majority of dealers now use an automated system for processing transaction information at the time of a sale, DeNucci said the Registry does not verify the validity of information submitted by the dealers, nor does it attempt to review the records of dealers who do not use the automated system. DeNucci said these poor controls could leave the system vulnerable to fraudulent manipulation of car values by unscrupulous dealers.

DeNucci also said some car owners may have been overcharged as much as \$200 per transaction because sales taxes are being assessed on manufacturer's rebates. DeNucci found that eight of nine dealers his office reviewed charged 5 percent sales taxes on vehicles without

subtracting the amount of rebates. State law requires sales taxes to be assessed on the net sale price of a vehicle minus any cash discounts and trade-in value. Industry practice and laws in some other states, including Louisiana and Minnesota, treat rebates as cash discounts. This problem apparently stems from the dealers' difficulties in interpreting state law and state Department of Revenue regulations. DOR has agreed to review this issue.

In other areas, DeNucci's audit disclosed personnel irregularities totaling more than \$78,000. For example, four employees, including three managers, received unauthorized salary adjustments in the form of step increases. Two of these persons had authority to process their own pay changes. Two other employees were given two or more promotions within 13 months without supervisory approval or any indication that the jobs were open to competition. Also, a former contract consultant for the Registry was hired as a manager at a rate substantially higher than the legally allowed amount.

DeNucci's audit confirmed shortcomings in customer service that have plagued the Registry. Unannounced visits to five branch offices (Beverly, Brockton, Lawrence, Lowell and Watertown) found that some customers were forced to wait as long as three hours and 20 minutes before being served. A recent review by the Legislature's Joint Committee on Public Safety uncovered similar situations.

DeNucci said the Registry has not performed the staffing and workload analyses required to accurately determine the personnel needs of its 24 branch offices and other field locations. Proper reporting systems and managerial controls were also not in place.

Finally, the audit disclosed that the Registry, which has a \$61 million budget and collects over \$820 million in annual revenue, has an internal audit staff of only two auditors. This staff is not assigned to perform audits of any expenditures and has no responsibility to audit revenue-producing activities other than at branch offices, nor does it have the authority to perform independent reviews of non-financial activities.

"Consumers have every right to be frustrated by the poor service they have received at the Registry," concluded DeNucci. "I hope this report is helpful to the new Registrar as he implements a plan for corrective action."

